

# IDAHO INDIVIDUAL NET OPERATING LOSS COMPUTATION

Name		Social Security Number	
<b>PART I</b> - Use this part to compute your net operating loss. Loss Year _____			
1. Total Idaho adjusted income (loss) reported on the loss year return .....	1		
2. Idaho net operating loss carryover .....	2		
3. Capital losses in excess of capital gains .....	3		
4. Idaho capital gain deduction .....	4		
5. Add lines 2, 3 and 4. ....	5		
6. Add lines 1 and 5. ....	6		
7. Casualty losses reported on federal Schedule A, Itemized Deductions .....	7		
8. Net operating loss deduction. Subtract line 7 from line 6. ....	8		
9. Net operating loss carryback. Enter the amount from line 8 but not more than \$100,000. If you elected to forego the carryback, enter -0- here and on line 10. ....	9		
10. Enter the amount from line 7b, column c, Part II. This is the net operating loss carryback not absorbed in the carryback years. ....	10		
11. Net operating loss carryover. Line 8, less line 9, plus line 10. Enter this amount on line 1, column a, Part III. ....	11		

## INSTRUCTIONS FOR PART I

Use Part I to compute your net operating loss. Enter the loss year on the line.

**Line 1.** Enter Idaho adjusted income (loss).

- Form 40 filers: line 29 - 1996, 1997, 1998, 1999  
line 30 - 2000
- Form 43 filers: line 46, Column B - 1996  
line 44, Column B - 1997, 1998, 1999  
line 45, Column B - 2000

**Line 2.** Enter any operating loss carryover from prior years if included in the amount on line 1.

**Line 3.** Enter any capital losses in excess of capital gains included in the amount on line 1. For example, a taxpayer reported a \$4,000 capital gain and a \$5,000 capital loss on federal Schedule D. \$1,000 is the amount of capital loss deduction included in Idaho adjusted income (loss).

**Line 4.** Enter any Idaho capital gain deduction allowed in computing Idaho adjusted income (loss).

**Line 5.** Add lines 2, 3 and 4 and enter the total on this line.

**Line 6.** Add lines 1 and 5. A loss on line 1 will be reduced by the amount on line 5. For example, a taxpayer's Idaho adjusted income (loss) is (\$10,000). The taxpayer claimed an Idaho capital gain deduction of \$1,500 (\$1,500 is entered on lines 4 and 5). The taxpayer enters (\$8,500) on line 6.

A loss on line 1 could be eliminated by an amount on line 5. For example, a taxpayer's Idaho adjusted income (loss) is (\$10,000). The taxpayer claimed an Idaho net operating loss carryover of

\$20,000 (\$20,000 is entered on lines 2 and 5). The taxpayer enters \$10,000 on line 6. When the total of lines 1 and 5 on line 6 is a positive amount, no net operating loss exists unless the casualty loss on line 7 creates the loss.

**Line 7.** Enter any casualty losses reported on federal Schedule A, Itemized Deductions, provided that the property is physically located in Idaho at the time of the casualty. Use federal Form 4684, Section A, to compute the casualty loss(es) deductible on Schedule A.

Form 43 filers will multiply the Idaho percentage from the loss year return by the amount of casualty loss reported on the federal Schedule A for that year to determine the amount to enter on this line. Enter the amount.

**Line 8.** Idaho net operating loss deduction. Subtract line 7 from line 6. A loss on line 6 will be increased by an amount on line 7. For example, a taxpayer's Idaho adjusted income (loss) is (\$10,000) and he also reports a \$1,500 casualty loss on Schedule A. His net operating loss deduction is (\$11,500). This is the net operating loss deduction that is available for carryback or carryover. Use Part II to determine carryback applications and Part III to determine carryover applications.

**Line 9.** This is the net operating loss to enter on line 1, Part II. If the loss was for tax years prior to January 1, 2000, enter this amount in column a. If the loss was for tax years on or after January 1, 2000, enter this amount in column b. Do not enter more than \$100,000. Complete Part II before entering any amounts on lines 10 and 11.

**Line 10.** If the net operating loss carryback is not completely absorbed, enter the unabsorbed amount.

**Line 11.** If you elect to forego the net operating loss carryback, enter the amount from line 8.

## APPLICATION OF IDAHO INDIVIDUAL NET OPERATING LOSSES

Name _____	Social Security Number _____
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**PART II - CARRYBACK** Use this part to apply the net operating loss to carryback year(s). Loss Year \_\_\_\_\_

Complete one column <b>before</b> going to the next column.	a. 3rd preceding tax year ended _____	b. 2nd preceding tax year ended _____	c. 1st preceding tax year ended _____
1. Net operating loss carryback. In column a, enter as a positive number the net operating loss from Part I, line 9. In columns b and c, enter amounts from line 7 below, columns a and b respectively .....			
2. Idaho adjusted income from the tax return (or as previously adjusted) before NOL carryback. If a loss, enter the amount as a negative number .....			
3. Net capital loss deduction claimed on the carryback year return. See federal Schedule D. Enter as a positive number.			
4. Idaho capital gain deduction claimed on the carryback year return. Enter as a positive number. See Idaho Form CG ...			
5. Casualty loss reported on Schedule A, Itemized Deductions, and claimed on the carryback year return. Enter as a positive number .....			
6. Modified Idaho adjusted income. Add lines 2, 3, and 4 and subtract line 5. If the total on this line is zero or less, enter -0- .....			
7. Net operating loss available for application to another year:  a. If line 6 is equal to or more than line 1, your net operating loss has been absorbed. Enter zero here.  b. If line 6 is less than line 1, your net operating loss has not been absorbed. Subtract line 6 from line 1 and enter the difference here. Also, enter the amounts from columns a and b on line 1 of the next column. Enter the amount from column c on line 10, Part I.			

**PART III - CARRYOVER** Use this part to apply the net operating loss to carryover year(s). Loss Year \_\_\_\_\_

Complete one column <b>before</b> going to the next column	a. 1st succeeding tax year ended _____	b. 2nd succeeding tax year ended _____	c. 3rd succeeding tax year ended _____
1. Net operating loss carryover. In column a, enter as a positive number the net operating loss from Part I, line 11. In columns b and c, enter amounts from line 7 below, columns a and b respectively .....			
2. Idaho adjusted income from the tax return before the NOL carryover. If a loss, enter the amount as a negative number.			
3. Net capital loss deduction claimed on the carryover year return. See federal Schedule D. Enter as a positive number.			
4. Idaho capital gain deduction claimed on the carryover year return. Enter as a positive number. See Idaho Form CG .....			
5. Casualty loss reported on Schedule A, Itemized Deductions, and claimed on the carryover year return. Enter as a positive number .....			
6. Modified Idaho adjusted income. Add lines 2, 3, and 4 and subtract line 5. If the total on this line is zero or less, enter -0- .....			
7. Net operating loss available to apply to another year:  a. If line 6 is equal to or more than line 1, your net operating loss has been absorbed. Enter zero here.  b. If line 6 is less than line 1, your net operating loss has not been absorbed. Subtract line 6 from line 1 and enter the difference here. Also, enter this amount on line 1 of the next column and apply the loss to the next available year.			

# Instructions for Idaho Form 56

## GENERAL INFORMATION

For tax years beginning on and after January 1, 2000, if you have a net operating loss, you may carry back up to \$100,000 of the net operating loss to the two tax years preceding the loss year. The loss is first applied to the second year preceding the loss year, then the first preceding year until the loss, limited to \$100,000, is absorbed. Any loss not absorbed in the carryback years and the loss in excess of \$100,000 will be a carryover up to 20 years following the loss year. The loss carryover is applied to each year in order until absorbed or until the 20-year carryover period has expired.

For tax years beginning prior to January 1, 2000, the net operating loss generally must be carried back to the three preceding years. The carryback is limited to a maximum of \$100,000. Any remaining loss may be carried forward until used, but no longer than 15 years.

You may elect to forego the two-year carryback provision and carry the loss over up to 20 years. The loss carryover is applied to each year in order until absorbed or until the 20-year carryover period has expired. You must elect to forego the carryback provision by the due date, including extensions, of the loss year return. The election is made by attaching a statement to the loss year return. The statement must clearly indicate that you elect to forego the carryback provision and include your name, address, social security number, and the amount of the loss. The statement must indicate that you make the election pursuant to Section 63-3022(c)(1), Idaho Code, to forego the carryback provision. You cannot revoke the election to forego the carryback provision for the loss year.

### APPLICATION OF INDIVIDUAL NET OPERATING LOSS TO A YEAR IN WHICH IDAHO ADJUSTED INCOME COMPLETELY ABSORBS THE LOSS

When Idaho adjusted income of the carryback or carryover year is sufficient to absorb the net operating loss, no special adjustments to such income are required.

If the net operating loss deduction is carried back and absorbed in the carryback year, you must file a **Form 40X**, Amended Idaho Individual Income Tax Return, for the absorption year. Idaho adjusted income will be decreased by the amount of the loss. Because your tax liability is reduced, you must recompute nonrefundable tax credits. Attach a copy of Form 56 to your amended return.

If you are carrying back the loss, you have until the 15th day of the 40th month following the end of the loss year to file the amended return for the absorption year.

If the net operating loss deduction is a carryover and absorbed in the first carryover year, subtract the loss on the tax return for the carryover year. Attach a copy of Part I to your income tax return.

### APPLICATION OF INDIVIDUAL NET OPERATING LOSS TO A YEAR IN WHICH IDAHO ADJUSTED INCOME DOES NOT COMPLETELY ABSORB THE LOSS

If, after taking previous carrybacks and carryovers into account, the net operating loss carryback or carryover exceeds Idaho adjusted income of the year to which the loss is carried, certain modifications must be made to such income to determine the amount of the loss that is absorbed. Parts II and III are provided to compute the amount of the net operating loss absorbed in each year to which the loss is applied when Idaho adjusted income does not completely absorb the loss. If your loss is not absorbed after three carryback and three carryover years, an additional copy of Part III will be necessary. The years to which a net operating loss is applied will be determined by whether a special election was made. Refer to the general information above.

Reporting the application of the net operating loss to a year in which income does not completely absorb the loss:

When a net operating loss has been applied to a tax year for which an income tax return has previously been filed, you must file a Form 40X, Amended Idaho Individual Income Tax Return, to report the application and request a refund. File a Form 40X for each year to

which the net operating loss has been applied. Because your income tax liability is zero, you will have to make an adjustment for any nonrefundable tax credits claimed on the original return. Attach a copy of Form 56 to your amended return.

When a net operating loss is applied to a carryover tax year for which the income tax return has not been filed, you must compute the Idaho net operating loss carryover to report on the return when it is filed. Compute the net operating loss that will be available for application to next year on Part III. Attach a copy of Form 56 to your income tax return when you file it.

Continue the application of the unabsorbed net operating loss to any carryback years available and, to the extent there is any net operating loss not absorbed in the carryback years, to carryover years' returns which have previously been filed.

Following these instructions, you will apply any remaining net operating loss when your next income tax return is filed.

## INSTRUCTIONS FOR PART II

**Line 1.** In column a (or column b, if the loss is for tax years beginning on or after January 1, 2000), enter the net operating loss carryback from line 9, Part I, as a positive number. Your carryback is limited to \$100,000. You will use column b if there is an amount on line 7, column a or if the loss is for tax years beginning on or after January 1, 2000. Enter the amount from line 7, column a, as a positive number in column b of this line. You will use column c if there is an amount on line 7, column b. Enter the amount from line 7, column b, as a positive number on this line in column c.

**Line 2.** Enter the Idaho adjusted income of the third preceding tax year in column a if column a is used. If column b is used, enter the

Idaho adjusted income of the second preceding tax year. If column c is used, enter the Idaho adjusted income of the first preceding tax year. Do not include the net operating loss carryback deduction in this amount. If this amount is a loss, enter it as a negative amount.

**Line 3.** If a capital loss in excess of capital gains was claimed on the preceding tax year return(s), enter the capital loss deduction as a positive amount. See federal Schedule D for the preceding tax year(s).

**Line 4.** If an Idaho capital gain deduction was claimed on the preceding tax year return(s), enter the deduction as a positive number.

**Line 5.** Enter the casualty loss reported on federal Schedule A and deducted on the preceding tax year return(s) as a positive number. Do not make an entry here if you used the standard deduction on the Idaho return.

Form 43 filers will multiply the amount of casualty loss reported on the federal Schedule A by the Idaho percentage for that year to determine the amount to enter on this line. Enter the amount as a positive number.

**Line 6.** Add lines 2, 3 and 4 and subtract line 5. This is the Idaho adjusted income as modified for application of the net operating loss carryback. The modifications included in this amount reduce your net operating loss carryback but may not necessarily result in a refund. If this amount is zero or a nega-

tive amount, none of your net operating loss carryback will be used in this preceding tax year.

**Line 7.** If line 6 is equal to or more than line 1 in the same column, your net operating loss carryback has been absorbed. Enter zero on this line. When completing Form 40X, Amended Idaho Individual Income Tax Return, use the amount on line 1 (of Part II of this form) as the change amount on line 4, column B, Form 40X.

If line 6 is less than line 1, the net operating loss has not been absorbed. Subtract line 6 from line 1. This is the remaining net operating loss to apply to the next available year. Enter this amount on line 1 for the next preceding tax year or, if there are no more preceding tax years, enter this amount on line 10, Part I. If your income tax liability will be reduced by the application of the net operating loss carryback, file a Form 40X, amended return, to claim a refund. The amount to report as the change amount on line 4, column B, Form 40X is computed by subtracting line 7 from line 1.

### INSTRUCTIONS FOR PART III

**Line 1.** In column a enter the net operating loss carryover from line 11, Part I. If you made the election to forego the three-year carryback provision, the amount on line 11 will be the same as the amount on line 8. Enter the net operating loss carryover as a positive number. You will use column b if there is an amount on line 7, column a. Enter the amount from line 7, column a, as a positive number in column b of this line. You will use column c if there is an amount on line 7, column b. Enter the amount from line 7, column b, as a positive number on this line in column c.

If your net operating loss carryover is not absorbed by the third succeeding tax year, you may use additional copies of Part III to show the application of the net operating loss carryover.

Maximum number of carryover years:

- 20 years - losses incurred after 1999
- 15 years - losses incurred after 1989 but before 2000
- 10 years - losses incurred after 1982 but before 1990
- 5 years - losses incurred before 1983

**Line 2.** Enter the Idaho adjusted income of the first succeeding tax year in column a if column a, is used. If column b is used, enter the Idaho adjusted income of the second succeeding tax year. If column c is used, enter the Idaho adjusted income of the third succeeding tax year. Do not include the net operating loss carryover deduction in this amount. If this amount is a loss, enter it as a negative amount.

**Line 3.** If a capital loss in excess of capital gains was claimed in arriving at Idaho adjusted income, enter the capital loss deduction as a positive amount. See federal Schedule D for the carryover year.

**Line 4.** If an Idaho capital gain deduction was claimed in arriving at Idaho adjusted income, enter the deduction as a positive amount. See Idaho Form CG for the carryover year.

**Line 5.** Enter as a positive number the casualty loss reported on federal Schedule A and deductible on this carryover year return. Do not make an entry here if you use the standard deduction on the Idaho return.

Form 43 filers will multiply the amount of casualty loss reported on the federal Schedule A on the carryover year return by the Idaho percentage for that year to determine the amount to enter on this line. Enter the amount as a positive number.

**Line 6.** Add lines 2, 3 and 4 and subtract line 5. This is the Idaho adjusted income as modified for application of the net operating loss carryover. The modifications included in this amount reduce your net operating loss carryover. If this amount is zero or a negative amount, none of your net operating loss carryover will be used in this succeeding tax year.

**Line 7.** If line 6 is equal to or more than line 1 in the same column, your net operating loss carryover has been absorbed. Enter zero on this line. When completing your Idaho income tax return for the carryover year, enter the amount on line 1 (of Part III of this form) on the subtraction line for the Idaho net operating loss carryforward.

If line 6 is less than line 1, the net operating loss has not been absorbed. Subtract line 6 from line 1. This is the remaining net operating loss to apply to the next available year. Enter this amount on line 1 of the next column. When completing your Idaho income tax return for the carryover year, compute the amount to enter on the subtraction line for the Idaho net operating loss carryforward by subtracting line 7 from line 1.